



Reverse Mortgages

The topic of Reverse Mortgages is seemingly everywhere today. Many people have questions about exactly what they are and if they are the best thing for them to do. Below are some tips on Reverse Mortgages.

A reverse mortgage is a loan against your home that you do not have to pay back for as long as you live in it as your primary residence. Thus, you can turn the value of your home into cash, which you can use for any purpose, for example, remodeling your home to make it safer, or purchasing long-term care services that are not covered by Medicare or Medicaid. When you move, sell your home or die, the money you borrowed plus interest is then paid back to the lender. If one of you predeceases the other, the surviving owner may remain in the home until he or she dies, sells, or moves.

The loan can be paid to you in various ways: you can receive it as one lump sum, as a regular monthly cash advance, as a credit line that you draw against whenever you need the funds, or a combination of any of these methods. One word of caution: If you receive public benefits such as Supplemental Security Income (SSI) or Medicaid, make sure that any loan proceeds you retain do not throw you over the eligibility limits. Check with the Delaware Division of Services for Aging and Adults with Disabilities *first*. You can contact them at: (800) 223-9074.

Reverse mortgages are available to people who are 62 years of age and older who own their home. The major benefit with this type of loan is that you do not have any monthly payments to make and you will not need a certain income to qualify.

Here are some of the basics on reverse mortgages: There will be substantial loan fees and closing costs, and interest will be charged on the amount you owe every month. You will remain the owner of the home, so you are responsible for property taxes, repairs and insurance just as you always have been. When the loan is finished, you or your heirs must pay back all of the cash advances, any fees or costs paid by the loan, and all the interest that has been charged each month. The lenders are not interested in owning and selling your home; they just want their money back.



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One of the most important features of a reverse mortgage is the "non-recourse" limit. This means that the lender does not have any recourse to secure payment for the loan from any other source – your heirs, assets or income. The only legal recourse they have is limited by the value of your home. This is an important protection: you will never owe more than what your home is worth at the time the loan is repaid.

Before you can obtain a reverse mortgage you must attend a counseling session. In this session, a counselor will discuss loan costs, financial implications, and alternatives to these loans. It may be helpful for another family member to attend this session with you. A list of certified counseling agencies can be found in the Financial Assistance section of the *Guide to Services for Older Delawareans*. A copy of the guide can be downloaded from the Delaware Division of Services of Aging and Adults with Disabilities website: www.dhss.delaware.gov/dhss/dsaapd or you can request that a copy be mailed to you by calling (800) 223-9074.

There are three major kinds of reverse mortgages. Some state and local governments offer *single purpose* loans to pay property taxes or to make home repairs, but there are usually income caps to qualify. Multipurpose loans can either be in the form of federally-insured *Home Equity Conversion Mortgages* (HECMs) offered by banks and mortgage companies or generally more expensive "*proprietary*" reverse mortgages, offered by private companies. HECMs and proprietary loans allow you to use the money for any purpose, and generally provide both creditlines and monthly advances.

As with any decision of this magnitude, take the time to research all of your options. AARP has done an outstanding job of explaining reverse mortgages in a handbook, *Home Made Money* and you can receive a free copy by calling (800) 209-8085 or go to their website at www.aarp.org/revmort/ for the same information that also includes a host of links.

The National Reverse Mortgage Lenders Association has set best-practice benchmarks for their members, and you can find out who has met these guidelines by either calling them at (866) 264-4466 or visiting their website at: www.reversemortgage.org. Not until you have done your research will you know whether a reverse mortgage is a wise option for you.



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